

**MUNICIPAL CORPORATIONS COMMITTEE**

**DATE:** August 10, 2006

**CALLED TO ORDER:** 4:30 p.m.

**ADJOURNED:** 6:02 p.m.

**ATTENDANCE**

**Attending Members**

Ron Gibson, Chair  
Vernon Brown  
Lonnell Conley  
Sherron Franklin  
Scott Keller  
Earl Salisbury

**Absent Members**

Isaac Randolph

**Budget Hearing**

Health and Hospital Corporation  
Indianapolis Airport Authority

## **MUNICIPAL CORPORATIONS COMMITTEE**

The Municipal Corporations Committee of the City-County Council met on Thursday, August 10, 2006. Chairman Ron Gibson called the meeting to order at 4:30 p.m. with the following members present: Vernon Brown, Lonnell Conley, Sherron Franklin, Scott Keller and Earl Salisbury. Absent was Isaac Randolph.

### Health and Hospital Corporation

Matt Gutwein, of Health and Hospital Corporation (HHC) said the proposed budget (See Exhibit A, a copy of which is on file in the Council's office) would freeze the amount of property taxes HHC collects. In 2006 HHC collected \$90,469,407 and hopes to collect the same amount in 2007. Although the budget freezes the amount of taxes collected, it will not freeze the level of services provided. HHC hopes to expand the level of services provided across the board, including Marion County Health Department (MCHD) and Wishard Hospital. The individual budgets of these two entities will increase in this budget. This is a break-even budget as has been the trend for several years. In 2002, the budget was not break-even, but lost \$77 million. Since 2002, there has been a \$100 million dollar turnaround and that trend should continue through the 2007 budget.

Mr. Gutwein stated that this budget reflects the priority and mission of HHC. The first priority is to make major investments in the health of each member of this community through preventative medicine and education about public health issues. The second priority is to ensure that those who become sick have broad access to quality health care, particularly those who are indigent, underserved, or have no health insurance. This budget proposes to expand these services as the number of uninsured increases. The number of uninsured in Marion County is rising at twice the rate of the national average.

He further stated that HHC would achieve these priorities in three ways: by attracting good people, focusing on efficiency and finding alternative revenue sources. This budget proposes to fund old programs, but also new programs. Those new programs include preparations for Avian Flu epidemic, West Nile virus, bioterrorism emergencies, obesity epidemic, basic weed and trash pick-up, and enforcing no smoking regulations.

[Clerk's Note: Councillor Brown leaves at 4:55 pm, Councillor Salisbury leaves at 4:57 pm]

Mr. Gutwein continued saying the traditional or old programs that need to be funded include the smile mobile (mobile dental unit for kids – 3,566 patients seen), vaccination program (12, 508 delivered), WIC services (21,000 clients served), health screenings for kids in school (36,433), home health staff nurses (23,823 visits), nurse of the day (24,823 clients), healthy start program for new mothers and babies (30,708 individuals), HIV outreach workers (51,652 people), food inspections (10,998), dental services (20,543 people), and MCHD health fairs (117).

He also stated that HHC's second priority focuses on making sure that all individuals regardless of economic status have access to high quality health care. Wishard Health Services (Wishard) is the second largest safety net hospital system in the country, based on the number of outpatient visits (1.2 million). Based on the current trends, Wishard is poised to surpass Houston, TX to become the largest this year.

In an effort to reach out to the entire community, an Office of Multi-Cultural Affairs has been created to tailor health care to unique needs of community members from 46 countries. One of the first initiatives of this office addressed domestic violence tailored to each community.

[Clerk's Note: Showed 30 second commercial in Spanish, translated by Dr. Gloria King]

Mr. Gutwein stated that Wishard serves numerous homeless patients who are often very sick and very expensive to treat. In partnership with the City of Indianapolis and the Indianapolis Housing Agency, Wishard funded the construction and renovation of 30 apartments to house homeless patients that are also patients at Midtown Mental Health. Wishard provides these patients with counseling and services from other agencies, such as Horizon House. Wishard and MCHD serve low-income pregnant women, to help prevent premature births. Together, the two agencies send out home health care nurses for preventative medicine before and after delivery.

He said that over a four-year period (1998 – 2002), the amount of money spent on the indigent population more than doubled, from \$82 million to \$167 million. Since 2002, that amount has gone down. In 2007, the budget proposes to spend \$162 million. In this same time period (2002-2007), health care inflation has increased 50%. HHC is covering the spending gap without an increase in property taxes through various methods. These include a net patient revenue increase (\$30 million), additional grant money (\$3 million), philanthropy (\$152,000), and the Wishard telethon (\$1.9 million). The budget proposal remains flat from last year, despite the fact that HHC is collecting fewer taxes (See Exhibit B, attached).

Mr. Gutwein stated that Wishard and HHC face 6 challenges that include: a rapidly increasing demand for services, no increase in reimbursement rates for Medicaid or Medicare, increasing cost of operation, the nursing shortage that raises the demand for minimum salaries, average occupancy rate for Wishard is 98% (substantially higher than many other public hospitals), maintenance of old building and equipment, and rising health needs of the public.

Stacy Hicklemeyer, a nurse at Wishard for 15 years, spoke about her son Zachary, who was killed in a boating accident. Lifeline flew him to Wishard at her request. He received excellent care, while she was treated very well and with respect from the entire Wishard family.

Chairman Gibson asked Dan Sellers to explain intergovernmental revenue. Mr. Sellers stated that these are revenues for both HHC and Wishard to compensate for their disproportionate share of uncompensated care; it is a Medicaid funding source. The share is fixed and allotted to the state as a whole then distributed to hospitals. As more hospitals become eligible to receive these monies, the share becomes less for each hospital that already receives this funding.

Chairman Gibson asked for projections for the 2008 budget. Mr. Gutwein stated that they might not be able to ask for taxes to be frozen like the 2007 budget proposal. He stated that they are looking for more diverse, alternative funding sources. The rapid growth of expenses is out pacing the new revenues.

Chairman Gibson asked if the board has approved the budget proposal. Mr. Gutwein stated that HHC is waiting for approval from the Council, but it has been through introduction and first reading. It will probably be approved on August 27, 2006.

Chairman Gibson asked what impact an epidemic, such as Avian Flu, will have if Wishard is at 98% capacity. Dr. Caine stated that it is a major concern, because 90% percent of these patients would require intensive care for a long period of time. She stated that some of the plans include asking elective patients not to come, convert hospital rooms into intensive care rooms, and look for alternative sites for patients.

Councillor Conley asked how Wishard is dealing with the language barrier. Mr. Gutwein stated that Wishard has translation services, 90% of employees in the center are bilingual, and the goal is to have every employee become bilingual. For certain languages, outside help is brought in.

[Chairman Gibson asked for public comments; none were offered]

#### Indianapolis Airport Authority

Chairman Gibson stated that Patrick Dooley unable to attend because of National Security issues. John Kish and Marsha Stone, Indianapolis Airport Authority (IAA), are in attendance.

Ms. Stone distributed a budget proposal (See Exhibit C, a copy of which is on file in the Council's office), and said that the current runways provide the ability for growth. Passenger service (8.5 million) and cargo transportation (1.1 million tons) continues to be a priority, along with safety and security. The Federal Aviation Administration (FAA) has rated IAA zero discrepancy for seven years in a row. Zero discrepancy means that IAA is in compliance with all regulatory requirements.

She further stated that 2005 saw record passenger growth, while 2006 has been in decline, but is doing well compared to other airports. The economic difficulties facing the airlines has decreased the use of large jets in favor of smaller regional jets, thereby lowering the number of passengers able to fly in Indianapolis. IAA is projecting a 1 % decline in passenger growth for 2006, because of economic factors, but is projecting a 4.1 % growth in 2007.

Ms. Stone said IAA has increased non-stop service to three new cities: San Francisco, Seattle and Los Angeles. Passenger airlines are projected to have 5.4 billion pounds of landed weight in 2007. Chairman Gibson asked if more weight increases revenues. Ms. Stone said that airlines are charged by weight and more weight means more revenue. IAA is committed to growing cargo. Federal Express, which represents over 50 % of landed weight, has committed to expanding their hub in Indianapolis.

She continued and said that the nature of funding for an airport is unique. Alternative or non-airline forms of revenue offset airport operating and maintenance budgets. The more non-airline revenue IAA generates' the less the airport charges the airline to operate in Indianapolis. The airlines sign a use and lease agreement to operate in Indianapolis. It is the airlines' responsibility to make sure the airport is made whole, effectively taking the burden of operating costs away from the community. The airport is not supported by tax dollars.

Ms. Stone stated that revenue development projects, outside the midfield terminal, include cargo apron construction, rental car facilities, buying land for future growth, new firehouse, and other safety and security projects. Chairman Gibson asked what is the difference in cost from

2006 to 2007. Ms. Stone said it is similar, if there is any increase it is for the new firehouse. The federal government funds some of the security budget. Councillor Salisbury said the American Trans Air (ATA) building on Washington Street was given a lease by the airport and no longer pays property taxes to Wayne Township. He asked if that is an example of local property taxes going to airport instead of the community. Mr. Kish said the airport does not receive local tax dollars. Councillor Salisbury stated that ATA does not pay property taxes but instead pays a lease to the airport, taking tax revenue away from the community.

Ms. Stone said that the capital program budget is \$546 million for 2007. The capital program will be funded through bonds, commercial paper, and federal and state grants. IAA just received a \$400 million bond issue in June. The bond, combined with the commercial paper capacity will allow IAA to fund the 2007 capital program. Airline revenues represent about 22% of the total revenue. In 2007, it is projected to cost \$6.70 per passenger for an airline to operate in Indianapolis. This is down from \$6.83 per passenger in 2006 and \$7.04 in 2004. Non airline revenue is projected to increase 6%. These increases are due to an increase in the number of business travelers, who spend more money in parking, concessions and rental cars. IAA projected incremental growth from property leases, and Indianapolis maintenance center is projected to increase occupancy.

Ms. Stone further stated that from 2005 to the beginning of 2006, IAA has increased diversity spending to 17.4% by using more minority owned businesses, although spending for women owned businesses was down 0.6%. Councillor Conley asked why there was a decrease. Ms. Stone said it was just timing of the report, and numbers at the end of 2006 will show an increase in spending. Capital spending for minority and women owned business has more than doubled from 2005 to 2006.

Ms. Stone said IAA projects net revenues increasing by 9.4%, while expenses increase only 3.4%.

Councillor Keller asked if airlines pay both by landed weight and disembarked passengers. Ms. Stone said airlines pay by landed weight, leased terminal space, and square footage of apron. Councillor Keller asked how the \$6.70 figure was estimated. Ms. Stone said it is an average of terminal rentals, landing fees, and apron rentals divided by passengers. Councillor Keller asked if other airports have hotels and restaurants on the property that do not pay property taxes, but pay airport lease fees instead. Mr. Kish said that it is a common practice and common source of revenue for airports, but the tax status varies by locality. Councillor Franklin asked if the business was tax exempt. Mr. Kish said the business is not tax exempt. He said the airport authority (that does not pay property tax) owns the property. The business pays income and sales taxes.

Mr. Kish presented the material on the new midfield terminal. 83% of the project is under contract and below what was originally projected. The extra money allows a cushion for any unforeseen expenditure without going over budget. The midfield project has paid \$55 million to 160 minority or women owned businesses.

Mr. Kish stated that the control tower has been operational since April 28<sup>th</sup> and the I-70 interchange is open and awaiting connection to midfield in about 700 days. The apron and

concourses have been poured. The midfield terminal is scheduled to open in the last quarter of 2008.

[Chairman Gibson asked for public comments; none were offered]

With no further business pending, and upon motion duly made, the Municipal Corporations Committee of the City-County Council was adjourned at 6:02 p.m.

Respectfully submitted,

Ron Gibson, Chair  
Municipal Corporations Committee

RG/cmc